

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>PORTER TOWNSHIP</b>	County <b>CASS</b>
Fiscal Year End <b>MARCH 31, 2008</b>	Opinion Date <b>MAY 1, 2008</b>	Date Audit Report Submitted to State <b>June 5, 2008</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures..
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Karl L. Drake, CPA</b>		Telephone Number <b>517-937-9333</b>		
Street Address <b>3775 Kimmel Road</b>		City <b>Horton</b>	State <b>MI</b>	Zip <b>49246</b>
Authorizing CPA Signature 		Printed Name <b>Karl L. Drake</b>		License Number <b>1101016526</b>

# **TOWNSHIP OF PORTER**

**CASS COUNTY MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**KARL L. DRAKE  
CERTIFIED PUBLIC ACCOUNTANT**

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## INDEPENDENT AUDITOR'S REPORT

Township Board  
Township of Porter  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Township of Porter, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Porter's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Porter as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2008, on our consideration of the Township of Porter's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 29 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

Township Board  
Township of Porter

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Porter's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.  
Certified Public Accountant

May 1, 2008

This section of the Township of Porter's annual financial report presents discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. It is best read in conjunction with the Township's financial statements that follow this section.

### Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Township of Porter financially and the two types of statements present different views of the Township. The government-wide statements reflect information about the activities of the entire Township, presenting an aggregate view and a longer-term view of the Township's overall financial status. The fund financial statements focus on individual components of Township government, reporting the Township's operations in more detail and demonstrating how services were financed in the short term.

### Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health or position. Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as public works, roads and general administration. Property taxes and state revenue sharing finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Township charges fees to customers to cover the costs of providing this service.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. The Township Board establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Township currently has two types of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Township's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

**Proprietary funds** - Services for which the Township charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Township's enterprise fund, the Sewer Fund, is a type of proprietary fund.

### The Township as a Whole

The statement of net assets presents the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2008 and 2007, in thousands of dollars.

<b>TABLE 1</b>	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current and Other Assets	\$ 220.9	\$ 89.0	\$ 10,924.8	\$ 11,571.5	\$ 11,145.7	\$ 11,660.5
Capital Assets	322.3	336.9	16,525.5	16,910.5	16,847.8	17,247.4
<b>TOTAL ASSETS</b>	<b>543.2</b>	<b>425.9</b>	<b>27,450.3</b>	<b>28,482.0</b>	<b>27,993.5</b>	<b>28,907.9</b>
<b>LIABILITIES</b>						
Current Liabilities	3.2	70.1	7,992.1	8,958.9	7,995.3	9,029.0
Long-Term Liabilities	---	---	14,400.0	15,300.0	14,400.0	15,300.0
<b>TOTAL LIABILITIES</b>	<b>3.2</b>	<b>70.1</b>	<b>22,392.1</b>	<b>24,258.9</b>	<b>22,395.3</b>	<b>24,329.0</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	322.3	336.9	956.1	391.1	1,278.4	728.0
Restricted	---	---	4,112.2	3,943.7	4,112.2	3,943.7
Unrestricted	217.7	18.9	-10.1	-111.7	207.6	-92.8
<b>TOTAL NET ASSETS</b>	<b>\$ 540.0</b>	<b>\$ 355.8</b>	<b>\$ 5,058.2</b>	<b>\$ 4,223.1</b>	<b>\$ 5,598.2</b>	<b>\$ 4,578.9</b>

# TOWNSHIP OF PORTER

## Management's Discussion and Analysis

### The Township as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

In the business-type activities, \$14,400,000 of the long-term debt represents sewer bond proceeds and will be repaid from special assessment revenues as the debt service comes due.

The Township's combined net assets were \$5,598.2 thousand at March 31, 2008. Capital assets (net of related debt) totaling 1,278.4 thousand compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In the business-type activities the Township currently has \$4,112.2 thousand of restricted net assets. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The 207.6 thousand in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current and past fiscal years and the change in net assets (in thousands of dollars), as reported in the statement of activities.

<b>TABLE 2</b>	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>REVENUE</b>						
Program Revenue						
Charges for services	\$ 25.8	\$ 18.4	\$ 828.5	\$ 530.6	\$ 854.3	\$ 549.0
General Revenue						
Property taxes	178.7	173.4	---	---	178.7	173.4
State Entitlements	266.4	258.9	---	---	266.4	258.9
Special Assessments	---	---	1,329.8	1,860.4	1,329.8	1,860.4
Interest earnings	2.0	2.1	173.7	177.7	175.7	179.8
Other	199.9	202.0	---	---	199.9	202.0
<b>TOTAL REVENUE</b>	<b>672.8</b>	<b>654.8</b>	<b>2,332.0</b>	<b>2,568.7</b>	<b>3,004.8</b>	<b>3,223.5</b>
<b>EXPENSES</b>						
General Government	273.9	316.4	---	---	273.9	316.4
Public Safety	172.0	384.0	---	---	172.0	384.0
Public Works	26.6	27.3	---	---	26.6	27.3
Recreation	---	---	---	---	---	---
Interest On Long-Term Debt	---	---	629.9	649.1	629.9	649.1
Depreciation (Unallocated)	16.1	16.1	---	---	16.1	16.1
Sewer	---	---	866.9	802.3	866.9	802.3
Transfers Out	---	---	---	---	---	---
<b>TOTAL EXPENSES</b>	<b>488.6</b>	<b>743.8</b>	<b>1,496.8</b>	<b>1,451.4</b>	<b>1,985.4</b>	<b>2,195.2</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 184.2</b>	<b>\$ -89.0</b>	<b>\$ 835.2</b>	<b>\$ 1,117.3</b>	<b>\$ 1,019.4</b>	<b>\$ 1,028.3</b>

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### *Governmental Activities*

Property tax revenue increased by \$5,000, state revenue increased by \$7,000, and \$54,000 was received from Southeast Public Safety Authority to reimburse for previous expenditures.

Expenditures decreased by over \$250,000, primarily due to fire services being funded by a special assessment tax paid directly to Southeast Public Safety Authority, and not being funded by the township.

### *Business-Type Activities*

A sewer system is being installed, and is finishing the construction stages. The Township is receiving operating and debt service revenue from this project. The Township has entered into a 20-year contract with the county for this project. A sewage treatment plant has been built to service the new sewer system.

## **The Township's Funds**

An analysis of the Township's major funds follows the government-wide financial statements. As noted earlier, the Township creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Township's major governmental fund is the General Fund.

The General Fund pays for most of the Township's governmental services and supports capital improvements. The General Fund is supported mainly by property taxes and state shared revenue. At March 31, 2008, the governmental funds reported a combined fund balance of \$217,667, an increase of \$198,681 over the previous year.

## **General Fund Budgetary Highlights**

The budget is amended as needed during the fiscal year.

# TOWNSHIP OF PORTER

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

At the end of the 2007-08 fiscal year, the Township managed capital assets valued at over \$16 million including property, buildings, roads, drains, equipment, and sewer lines.

Capital Assets							
Net of Accumulated Depreciation (dollars are in thousands)							
	Governmental Activities		Business-Type Activities		Totals		
	2008	2007	2008	2007	2008	2007	
Non-Depreciable Assets							
Land	\$ 10	\$ 10	\$ ---	\$ ---	\$ 10	\$ 10	
Depreciable Assets							
Buildings	299	311	---	---	299	311	
Sewer System	---	---	16,525	16,910	16,525	16,910	
Vehicles	---	---	---	---	---	---	
Equipment	13	16	---	---	13	16	
Total	\$ 322	\$ 337	\$ 16,525	\$ 16,910	\$ 16,847	\$ 17,247	

### Economic Factors and Next Year's Budgets and Rates

The board is attempting to limit expenses to build up the financial reserves. Minimal road work was completed the last fiscal year. This year the budget includes resources to do some road work. Fire Services are funded by Southeast Public Safety Authority, and no Township resources are allocated for fire services.

As for the Township's business-type activity, currently revenue is increasing from the sewage treatment plant. A rate increase and additional users will continue to increase the revenue received.

### Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, 69373 Baldwin Prairie Road, Union, MI 49130.

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**Government-Wide Financial Statements****STATEMENT OF NET ASSETS****MARCH 31, 2008**

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 204,678	\$ 4,010,747	\$ 4,215,425
Due From Other Governmental Units	---	---	---
Accounts Receivable	16,206	96,946	113,152
Prepaid Expenditures	---	---	---
Total Current Assets	220,884	4,107,693	4,328,577
Non-current Assets			
Capital Assets	518,889	17,393,986	17,912,875
Less: Accumulated Depreciation	-196,533	-868,452	-1,064,985
Total Non-current Assets	322,356	16,525,534	16,847,890
Other Assets			
Special Assessments Receivable	---	6,817,085	6,817,085
<b>TOTAL ASSETS</b>	<b>\$ 543,240</b>	<b>\$ 27,450,312</b>	<b>\$ 27,993,552</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts Payable	\$ 3,217	\$ 5,581	\$ 8,798
Due to Other Governmental Units	---	---	---
Accrued Interest	---	269,417	269,417
Bonds Payable, Due within One Year	---	900,000	900,000
Total Current Liabilities	3,217	1,174,998	1,178,215
Non-current Liabilities			
Bonds Payable	---	14,400,000	14,400,000
Compensated Absences and Severance Pay	---	---	---
Total Non-current Liabilities	---	14,400,000	14,400,000
Other Liabilities			
Deferred Revenue Special Assessments	---	6,817,085	6,817,085
<b>TOTAL LIABILITIES</b>	<b>3,217</b>	<b>22,392,083</b>	<b>22,395,300</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	322,356	956,117	1,278,473
Restricted for Debt Service	---	4,050,132	4,050,132
Restricted for Construction	---	62,033	62,033
Unrestricted	217,667	-10,053	207,614
<b>TOTAL NET ASSETS</b>	<b>540,023</b>	<b>5,058,229</b>	<b>5,598,252</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 543,240</b>	<b>\$ 27,450,312</b>	<b>\$ 27,993,552</b>

See Accompanying Notes to Financial Statements

# TOWNSHIP OF PORTER

## Government-Wide Financial Statements

### STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 273,875	\$ 137	\$ ---	\$ -273,738	\$ ---	\$ -273,738
Public Safety	172,018	8,801	---	-163,217	---	-163,217
Public Works	26,636	16,825	---	-9,811	---	-9,811
Recreational and Cultural	---	---	---	---	---	---
Interest on Long-Term Debt	---	---	---	---	---	---
Depreciation (Unallocated)	16,108	---	---	-16,108	---	-16,108
Transfer to Other Government	---	---	---	---	---	---
Total Governmental Activities	488,637	25,763	---	-462,874	---	-462,874
Business-Type Activities						
Sewer	866,862	828,513	---	---	-38,349	-38,349
Interest on Bonds Payable	629,975	---	---	---	-629,975	-629,975
Total Business-Type Activities	1,496,837	828,513	---	---	-668,324	-668,324
Total Activities	\$ 1,985,474	\$ 854,276	\$ ---	\$ -462,874	\$ -668,324	\$ -1,131,198
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 178,731	\$ ---	\$ 178,731
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				266,351	---	266,351
Special Assessment				---	922,437	922,437
Special Assessment Interest				---	407,404	407,404
Interest Earnings				2,045	173,684	175,729
Other				199,920	---	199,920
Total General Revenue				647,047	1,503,525	2,150,572
CHANGE IN NET ASSETS				184,173	835,201	1,019,374
NET ASSETS - BEGINNING OF YEAR				355,850	4,223,028	4,578,878
NET ASSETS - END OF YEAR				\$ 540,023	\$ 5,058,229	\$ 5,598,252

See Accompanying Notes to Financial Statements.

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**Fund Financial Statements****BALANCE SHEET - GOVERNMENTAL FUNDS****MARCH 31, 2008**

	General	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 204,678	\$ ---	\$ 204,678
Taxes and Fees Receivable	13,972	---	13,972
Due from Other Governmental Units	---	---	---
Due from Other Funds	2,234	---	2,234
Inventories	---	---	---
Prepaid Expenditures	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 220,884</b>	<b>\$ ---</b>	<b>\$ 220,884</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 3,217	\$ ---	\$ 3,217
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Due to Other Governments	---	---	---
Deferred Revenue	---	---	---
<b>TOTAL LIABILITIES</b>	<b>3,217</b>	<b>---</b>	<b>3,217</b>
<b>FUND BALANCES</b>			
Reserved for Inventories	---	---	---
Unreserved, Designated	100	---	100
Unreserved and Undesignated	217,567	---	217,567
<b>TOTAL FUND BALANCES</b>	<b>217,667</b>	<b>---</b>	<b>217,667</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 220,884</b>	<b>\$ ---</b>	<b>\$ 220,884</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			<b>\$ 217,667</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 518,889
Accumulated Depreciation is			<u>-196,533</u>
			322,356
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			<u>---</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>			<b><u>\$ 540,023</u></b>

See Accompanying Notes to Financial Statements.

# TOWNSHIP OF PORTER

## Fund Financial Statements

### STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	General	Other Funds	Totals
<b>REVENUE</b>			
Property Taxes	\$ 178,731	\$ ---	\$ 178,731
State Grants	266,351	---	266,351
Permits and Licenses	83,330	---	83,330
Charges for Services	25,763	---	25,763
Interest	2,045	---	2,045
Other	116,590	---	116,590
<b>TOTAL REVENUE</b>	<b>672,810</b>	<b>---</b>	<b>672,810</b>
<b>EXPENDITURES</b>			
General Government	275,475	---	275,475
Public Safety	172,018	---	172,018
Public Works	26,636	---	26,636
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>474,129</b>	<b>---</b>	<b>474,129</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>198,681</b>	<b>---</b>	<b>198,681</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
Transfers to Other Governments	---	---	---
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>198,681</b>	<b>---</b>	<b>198,681</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>18,986</b>	<b>---</b>	<b>18,986</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 217,667</b>	<b>\$ ---</b>	<b>\$ 217,667</b>

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES****YEAR ENDED MARCH 31, 2008****NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 198,681**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-16,108	
Capital Outlay	<u>1,600</u>	
		-14,508

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds

---**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 184,173**

**STATEMENT OF NET ASSETS****MARCH 31, 2008**

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 4,010,747
Accounts Receivable	96,946
Prepaid Expenses	<u>---</u>
Total Current Assets	<u>4,107,693</u>
Non-current Assets	
Special Assessment Receivable	6,817,085
Fixed Assets - Net	<u>16,525,534</u>
Total Non-current Assets	<u>23,342,619</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 27,450,312</u></b>
 <b>LIABILITIES</b>	
Current Liabilities	
Current Portion of Bonds Payable	\$ 900,000
Accounts Payable	5,581
Accrued Interest	<u>269,417</u>
Total Current Liabilities	<u>1,174,998</u>
Long-Term Liabilities	
Bonds Payable	14,400,000
Deferred Revenue - Special Assessment	<u>6,817,085</u>
Total Long-Term Liabilities	<u>21,217,085</u>
<b>TOTAL LIABILITIES</b>	<b><u>22,392,083</u></b>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	956,117
Restricted for Debt Service	4,050,132
Restricted for Sewer Construction	62,033
Unrestricted	<u>-10,053</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 5,058,229</u></b>

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Sewer Fund</u>
<b>OPERATING REVENUE</b>	
Charges for Services	<u><b>\$ 828,513</b></u>
<b>OPERATING EXPENSES</b>	
Administrative Expense	88,774
Management Fees	218,467
Office Supplies	4,690
Telephone	18,385
Insurance	4,356
Depreciation	434,850
Maintenance	52,840
Utilities	<u>44,500</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>866,862</b></u>
<b>OPERATING INCOME &lt;LOSS&gt;</b>	-38,349
<b>NON-OPERATING REVENUE &lt;EXPENSES&gt;</b>	
Special Assessment	922,437
Interest Income - Special Assessments	407,404
Interest Income - Other	173,684
Interest Expense	<u>-629,975</u>
<b>TOTAL NON-OPERATING REVENUE &lt;EXPENSES&gt;</b>	<u><b>873,550</b></u>
<b>CHANGE IN NET ASSETS</b>	835,201
<b>NET ASSETS - BEGINNING</b>	<u><b>4,223,028</b></u>
<b>NET ASSETS - ENDING</b>	<u><u><b>\$ 5,058,229</b></u></u>

**STATEMENT OF CASH FLOW****FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Sewer Fund</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 770,978
Cash Payments for Goods and Services	-426,431
Cash Payments to Employees	---
Cash Payments for Employee Benefits	---
	<u>---</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>344,547</b></u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>---</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Increase <Decrease> in Accrued Interest	---
Interest Expense	-629,975
Increase <Decrease> in Bonds Payable	-950,000
Special Assessment Revenue	922,437
Special Assessment Interest	407,404
	<u>---</u>
<b>NET CASH PROVIDED &lt;USED BY&gt; CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><b>-250,134</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Receipts of Interest and Dividends	173,684
Sale of Assets	---
Purchase of Assets	-49,887
	<u>---</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u><b>123,797</b></u>
<b>NET INCREASE IN CASH</b>	218,210
<b>CASH - BEGINNING OF YEAR</b>	<u>3,792,537</u>
<b>CASH - END OF YEAR</b>	<u><u><b>\$ 4,010,747</b></u></u>
<b>RECONCILIATION OF OPERATING INCOME &lt;LOSS&gt; TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income <Loss>	-38,349
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	434,850
Decrease <Increase> in Accounts Receivable	-57,535
Decrease <Increase> in Prepaid Expenses	---
Increase <Decrease> in Accounts Payable	5,581
	<u>---</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u><b>\$ 344,547</b></u></u>

See Accompanying Notes to Financial Statements.

**STATEMENT OF NET ASSETS****MARCH 31, 2008****ASSETS**

Cash	\$ 2,234
Accounts Receivable	<u>---</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 2,234</u></b>
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**LIABILITIES**

Due to Other Funds	\$ 2,234
Due to Other Entities	---
Due to Other Taxing Units	<u>---</u>

<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,234</u></b>
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## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### A. REPORTING ENTITY

The Township of Porter covers an area of approximately 54 square miles located in Cass County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

#### B. BASIS OF PRESENTATION

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

## GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes.

## NOTES TO FINANCIAL STATEMENTS

### B. BASIS OF PRESENTATION (CONTINUED)

#### PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or ((b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund.

### C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

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#### **D. PROPERTY TAXES**

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The County of Cass prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Cass County for collection and to be added to the delinquent tax rolls. The County of Cass purchases delinquent real property taxes of the Township of Porter. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This will take place in June 2008. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2007 were .7116 mills for operations. Total taxable value of real and personal property in the Township was \$172,499,511.

The Township is responsible for the collection of delinquent personal property taxes.

#### **E. CASH EQUIVALENTS**

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

#### **F. FINANCIAL INSTRUMENTS**

The Township does not require collateral to support financial instruments subject to credit risk.

#### **G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

#### **H. FUND EQUITY**

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

# TOWNSHIP OF PORTER

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## NOTES TO FINANCIAL STATEMENTS

### I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Other equipment	5-10 years

### J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

### L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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## NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

### A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 300,000	\$ 300,000
Uninsured & Uncollateralized	3,917,659	3,908,996
Total Deposits	<u>\$ 4,217,659</u>	<u>\$ 4,208,996</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

The construction funds for the sewer project (\$62,033) are maintained by Cass County, and are considered uninsured.

# TOWNSHIP OF PORTER

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - ACCUMULATED FUND DEFICITS

There is an accumulated deficit in the Sewer Fund at March 31, 2008. Unrestricted net assets finished the year with a deficit of \$10,053. The Township is completing construction of the sewer system, and considers this fund deficit temporary until the system is completed and fully operational.

### NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at March 31, 2008, consisted of the following:

Due To:		Due From:	
General Fund	<u>\$ 2,234</u>	Trust and Agency	<u>\$ 2,234</u>

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Assets not being depreciated:				
Land	\$ 10,000	\$ ---	\$ ---	\$ 10,000
Capital assets being depreciated:				
Buildings	475,000	---	---	475,000
Vehicles	---	---	---	---
Equipment	34,282	1,600	1,993	33,889
Subtotal	509,282	1,600	1,993	508,889
Accumulated depreciation:				
Buildings	163,750	11,875	---	175,625
Vehicles	---	---	---	---
Equipment	18,668	4,233	1,993	20,908
Subtotal	182,418	16,108	1,993	196,533
Net capital assets being depreciated	326,864	-14,508	---	312,356
Net capital assets	<u>\$ 336,864</u>	<u>\$ -14,508</u>	<u>\$ ---</u>	<u>\$ 322,356</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

---

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Capital asset activity of the Township's Business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals And adjustments	Balance March 31, 2008
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Building and building improvements	---	---	---	---
Sewer System	17,344,100	49,886	---	17,393,986
Equipment	---	---	---	---
Subtotal	17,344,100	49,886	---	17,393,986
Accumulated depreciation:				
Building and building improvements	---	---	---	---
Sewer System	433,603	434,849	---	868,452
Equipment	---	---	---	---
Subtotal	433,603	434,849	---	868,452
Net capital assets being depreciated	16,910,497	-384,963	---	16,525,534
Net capital assets	\$ 16,910,497	\$ -384,963	\$ ---	\$ 16,525,534

**NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET**

During the year ended March 31, 2008, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
General Fund			
General Government	\$ 269,446	\$ 275,475	\$ 6,029
Public Works	23,000	26,636	3,636

# TOWNSHIP OF PORTER

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - RETIREMENT PLAN

During the year ended March 31, 2008, the Township did not participate in any retirement plan.

### NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

### NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2008, various claims exist, but no provision has been entered into the accounting records because possible losses cannot be reasonably estimated.

### NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains one Enterprise Fund providing sewer services. Segment information for the year ended March 31, 2008, is as follows:

Operating Revenues	\$ 828,513
Operating Expenses Before Depreciation	432,012
Depreciation	434,850
Operating Income <Loss>	-38,349
Net Earnings	835,201
Total Assets	27,450,312
Long-Term Debt	15,300,000
Total Net Assets	5,058,229

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## NOTE 11 - BONDS PAYABLE

On April 1, 2004, the Township made an agreement with Cass County to pay bonds for the construction of a sewer system. The bonds total \$17,150,000, and principal payments are due May 1 beginning in 2005 and ending in 2024. Interest is payable on May 1 and November 1 each year. Interest rates range from 3.00% to 4.625%.

The bonds are payable as follows:

Year ending March 31	Bond Principal	Interest Rate	Interest Due May 1	Interest Due November 1	Total Due
2009	\$ 900,000	3.500%	\$ 306,675	\$ 290,925	\$ 1,497,600
2010	900,000	3.000	290,925	277,425	1,468,350
2011	900,000	3.250	277,425	262,800	1,440,225
2012	900,000	3.500	262,800	247,050	1,409,850
2013	900,000	3.500	247,050	231,300	1,378,350
2014	900,000	3.750	231,300	214,425	1,345,725
2015	900,000	4.000	214,425	196,425	1,310,850
2016	900,000	4.000	196,425	178,425	1,274,850
2017	900,000	4.125	178,425	159,863	1,238,288
2018	900,000	4.200	159,862	140,962	1,200,824
2019	900,000	4.300	140,963	121,613	1,162,576
2020	900,000	4.400	121,612	101,812	1,123,424
2021	900,000	4.500	101,813	81,563	1,083,376
2022	900,000	4.500	81,562	61,312	1,042,874
2023	900,000	4.500	61,313	41,063	1,002,376
2024	900,000	4.500	41,062	20,812	961,874
2025	900,000	4.625	20,813	---	920,813
	<u>\$ 15,300,000</u>		<u>\$ 2,934,450</u>	<u>\$ 2,627,775</u>	<u>\$ 20,862,225</u>

# TOWNSHIP OF PORTER

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 12 - SPECIAL ASSESSMENT

A Special Assessment district has been established by the Township to collect monies for the payment of the Bonds for the sewer project. These assessments could be paid interest free until May 1, 2005, or in annual installments over 20 years, including interest. The Township records all uncollected special assessments as deferred revenue.

Total special assessment	\$ 12,555,226
Amounts collected - prior years	-4,815,704
Amounts Collected - current year	<u>-922,437</u>
Receivable/Deferred Revenue	<u>\$ 6,817,085</u>

### NOTE 13 - FIRE AND AMBULANCE DEPARTMENTS

Beginning October 1, 2005, the Township fire protection and ambulance services were contracted with Southeast Public Safety Authority. (SEPSA) The cash resources of the Fire Fund (\$3,437) were transferred to SEPSA, as were the vehicles and equipment owned by the Township. On April 1, 2006, the Township began paying SEPSA \$11,032.90 per month for these services. Beginning in November 2007, SEPSA began collecting property tax revenue, and payments from Porter Township ceased. Total amount paid to SEPSA during the year ended March 31, 2008 was \$88,263.

### NOTE 14 - NEWBERG TOWNSHIP AGREEMENT

Effective April 1, 1999, Porter Township contracted with Newberg Township to provide fire and ambulance services to the northern part of Porter Township. In prior years, the cost of the contract was 2% of the state equalized value of the property in this district. This continued through March 31, 2006, when the Townships re-negotiated this contract. In the years ending March 31, 2007 and 2008, the cost of the contract was based on the average of state equalized value and taxable value of the properties in the District. Porter Township paid the March 31, 2006 amount due (\$78,718) and accrued the March 31, 2007 amount (\$64,627). A total of \$65,000 was paid by Porter Township in the current fiscal year to eliminate the amount due.

Beginning in the current year, this agreement will be funded by the Southeast Public Safety Authority (see note 13), and no future obligation exists to Porter Township.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

# TOWNSHIP OF PORTER

General Fund

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Property Taxes	\$ 165,850	\$ 165,850	\$ 178,731	\$ 12,881
State Shared Revenue	271,000	271,000	266,351	-4,649
Permits and Licenses	65,250	65,250	83,330	18,080
Charges for Services	22,050	22,050	25,763	3,713
Interest	1,000	1,000	2,045	1,045
Other	122,000	122,000	116,590	-5,410
Transfers In	---	---	---	---
<b>TOTAL REVENUE</b>	<b>647,150</b>	<b>647,150</b>	<b>672,810</b>	<b>25,660</b>
<b>EXPENDITURES</b>				
General Government	269,446	269,446	275,475	-6,029
Public Safety	281,300	281,300	172,018	109,282
Public Works	23,000	23,000	26,636	-3,636
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	15,000	15,000	---	15,000
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>588,746</b>	<b>588,746</b>	<b>474,129</b>	<b>114,617</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>58,404</b>	<b>58,404</b>	<b>198,681</b>	<b>140,277</b>
<b>BUDGETARY FUND BALANCE - April 1, 2007</b>	<b>18,986</b>	<b>18,986</b>	<b>18,986</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - March 31, 2008</b>	<b>\$ 77,390</b>	<b>\$ 77,390</b>	<b>\$ 217,667</b>	<b>\$ 140,277</b>

**BALANCE SHEET****MARCH 31, 2008****ASSETS**

Cash	\$ 206,678
Investments	---
Contract Receivable	---
Taxes and Fees Receivable	13,972
Due from Other Funds	<u>2,234</u>

**TOTAL ASSETS** \$ 220,884**LIABILITIES AND FUND BALANCE****LIABILITIES**

Accounts Payable	\$ 3,217
Payroll Taxes Payable	---
Due to Other Funds	---
Due to Other Governments	<u>---</u>
<b>TOTAL LIABILITIES</b>	<u>3,217</u>

**FUND BALANCE**

Reserved	100
Unreserved - Designated	---
Unreserved - Undesignated	<u>217,567</u>
<b>TOTAL FUND BALANCE</b>	<u>217,667</u>

**TOTAL LIABILITIES AND FUND BALANCE** \$ 220,884

# TOWNSHIP OF PORTER

General Fund

## STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
<b>Taxes And Penalties</b>			
Property taxes	\$ 117,000	\$ 113,980	\$ -3,020
Administration fees	40,000	55,955	15,955
Set fee	8,500	8,754	254
Penalties and interest	350	42	-308
<b>Total Taxes And Penalties</b>	<b>165,850</b>	<b>178,731</b>	<b>12,881</b>
<b>Licenses And Permits</b>			
Dog licenses	100	89	-11
Mobile home fees	150	113	-37
Cable vision fees	9,000	8,341	-659
Electrical permits	13,000	16,022	3,022
Sewer Electrical Permits	---	650	650
Building permits	25,000	31,191	6,191
Mechanical permits	10,000	13,699	3,699
Plumbing permits	8,000	8,000	---
Sewer Plumbing Permits	---	5,225	5,225
<b>Total Licenses And Permits</b>	<b>65,250</b>	<b>83,330</b>	<b>18,080</b>
<b>State Revenue</b>			
State Shared Revenue	271,000	266,351	-4,649
Other	---	---	---
<b>Total State Revenue</b>	<b>271,000</b>	<b>266,351</b>	<b>-4,649</b>
<b>Charges For Services</b>			
Zoning enforcement	500	391	-109
Zoning appeals and compliance	4,800	5,125	325
Land division applications	1,500	3,275	1,775
Copies	150	137	-13
Grave openings	4,000	6,450	2,450
Cemetery lot sales	2,000	2,629	629
Zoning book sales	100	10	-90
Dust Control	9,000	7,746	-1,254
<b>Total Charges For Services</b>	<b>22,050</b>	<b>25,763</b>	<b>3,713</b>

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE (CONTINUED)</b>			
Interest	1,000	2,045	1,045
Refunds and Reimbursements	122,000	116,590	-5,410
Sale of Fixed Assets	---	---	---
Transfers In	---	---	---
<b>TOTAL REVENUE</b>	<b>\$ 647,150</b>	<b>\$ 672,810</b>	<b>\$ 25,660</b>

**EXPENDITURES**

**General Government**

*Legislative Board*

Salaries and wages	\$ 9,200	\$ 7,190	\$ 2,010
Payroll taxes	7,000	11,214	-4,214
Website	300	113	187
Office supplies	8,000	8,725	-725
Postage	---	13,576	-13,576
Audit fees	5,500	3,750	1,750
Payroll processing	1,200	701	499
Legal fees	25,000	30,635	-5,635
Tax roll	12,000	10,115	1,885
Conferences and workshops	3,000	1,968	1,032
Printing and publishing	2,000	931	1,069
Insurance and bonds	10,000	4,838	5,162
Miscellaneous	---	10	-10
Bank charges	100	266	-166
Membership dues	3,000	3,027	-27
Clean Up Day	4,000	4,141	-141

<i>Total Legislative Board</i>	90,300	101,200	-10,900
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# TOWNSHIP OF PORTER

General Fund

## STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
<b>General Government (Continued)</b>			
<i>Supervisor</i>			
Salaries and wages	\$ 14,700	\$ 13,475	\$ 1,225
Mileage	---	---	---
<i>Total Supervisor</i>	14,700	13,475	1,225
<i>Elections</i>			
Salaries and wages	2,000	---	2,000
Office supplies	500	1,636	-1,136
Postage	---	---	---
Mileage	---	370	-370
Conferences	---	---	---
Printing	---	137	-137
Equipment repair	---	---	---
<i>Total Elections</i>	2,500	2,143	357
<i>Assessor</i>			
Inspection Fees	24,996	25,746	-750
Postage	1,500	123	1,377
Printing and Publishing	---	---	---
<i>Total Assessor</i>	26,496	25,869	627
<i>Board of Review</i>			
Salaries and wages	3,000	1,065	1,935
Mileage	---	48	-48
Printing	---	128	-128
Conferences	---	291	-291
<i>Total Board of Review</i>	3,000	1,532	1,468
<i>Clerk</i>			
Salaries and wages	17,850	16,363	1,487
Mileage	---	---	---
<i>Total Clerk</i>	17,850	16,363	1,487

	Budget	Actual	Variance Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
<b>General Government (Continued)</b>			
<i>Treasurer</i>			
Salaries and wages	19,100	15,916	3,184
Mileage	---	42	-42
<i>Total Treasurer</i>	<u>19,100</u>	<u>15,958</u>	<u>3,142</u>
<i>Township Hall</i>			
Clerical	60,000	51,151	8,849
Telephone	5,000	3,973	1,027
Utilities	3,000	3,323	-323
Mileage	---	1,864	-1,864
Equipment repair	1,000	5,535	-4,535
Building maintenance	10,000	8,855	1,145
Trash, lawn, snow	1,500	2,327	-827
Safe deposit box	---	35	-35
<i>Total Township Hall</i>	<u>80,500</u>	<u>77,063</u>	<u>3,437</u>
<i>Cemeteries</i>			
Grave Openings/Closings	---	5,190	-5,190
Veteran's Flags	---	562	-562
Lawn, Trash, Snow	15,000	15,592	-592
Conferences	---	493	-493
Memberships and Dues	---	35	-35
<i>Total Cemeteries</i>	<u>15,000</u>	<u>21,872</u>	<u>-6,872</u>
<b>Total General Government</b>	<u><b>\$ 269,446</b></u>	<u><b>\$ 275,475</b></u>	<u><b>\$ -6,029</b></u>

# TOWNSHIP OF PORTER

General Fund

## STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
<b>Public Safety</b>			
<i>Building Inspector</i>			
Inspection fees	\$ 25,000	\$ 27,599	\$ -2,599
<i>Mechanical Inspector</i>			
Inspection fees	6,800	10,508	-3,708
<i>Electrical Inspector</i>			
Inspection fees	13,000	15,006	-2,006
<i>Fire Department</i>			
SEPSA	130,000	88,263	41,737
North Porter Service Fee	83,000	373	82,627
<i>Total Fire Department</i>	213,000	88,636	124,364
<i>Plumbing Inspector</i>			
Inspection Fees	8,000	13,386	-5,386
<i>Zoning</i>			
Salaries and Wages	8,000	7,087	913
Office Supplies	---	70	-70
Mileage	---	705	-705
Printing and Publishing	---	1,209	-1,209
Legal Fees	---	544	-544
<i>Total Zoning</i>	8,000	9,615	-1,615
<i>Zoning Administrator</i>			
Salaries	7,500	7,195	305
Mileage	---	73	-73
<i>Total Zoning Administrator</i>	7,500	7,268	232
<b>Total Public Safety</b>	<b>\$ 281,300</b>	<b>\$ 172,018</b>	<b>\$ 109,282</b>

	Budget	Actual	Variance Favorable <Unfavorable>
<b>Public Works</b>			
<i>Highways and Roads</i>			
Administration	\$ ---	\$ ---	\$ ---
Dust Control	6,000	12,937	-6,937
Drains	17,000	13,699	3,301
<i>Total Highways and Roads</i>	23,000	26,636	-3,636
<b>Total Public Works</b>	<b>23,000</b>	<b>26,636</b>	<b>-3,636</b>
<b>Capital Outlay</b>			
Township Hall	15,000	---	15,000
Fire Department	---	---	---
<b>Total Capital Outlay</b>	<b>15,000</b>	<b>---</b>	<b>15,000</b>
Transfer to Other Governments	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>\$ 588,746</b>	<b>\$ 474,129</b>	<b>\$ 114,617</b>

### BALANCE SHEET

MARCH 31, 2008

#### ASSETS

Cash	<u>\$ 2,234</u>
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#### LIABILITIES

Due to Other Funds	2,234
Due to Other Governments	<u>---</u>
	<u>\$ 2,234</u>

**CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****YEAR ENDED MARCH 31, 2008**

	03-31-07			03-31-08
	Balance	Receipts	Disbursements	Balance
<b>ASSETS</b>				
Cash	\$ 548	\$ 5,318,110	\$ 5,316,424	\$ 2,234
<b>LIABILITIES</b>				
Due to General Fund	\$ 548	\$ 196,889	\$ 195,203	\$ 2,234
Due to Sewer Fund	---	115,746	115,746	---
Due to SEPSA		318,178	318,178	---
Due to County	---	2,918,743	2,918,743	---
Due to Schools	---	1,743,286	1,743,286	---
Due to Other	---	25,268	25,268	---
	\$ 548	\$ 5,318,110	\$ 5,316,424	\$ 2,234

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**PORTER TOWNSHIP****CURRENT TAX COLLECTION FUND  
STATEMENT OF RECEIPTS AND DISBURSEMENTS****YEAR ENDED MARCH 31, 2008****RECEIPTS**

Tax Collections	<u>\$ 5,318,110</u>
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**DISBURSEMENTS**

Township General Fund	\$ 195,203
Constantine Schools	1,116,536
White Pigeon Schools	486,041
Three Rivers Schools	37,101
Cassopolis Schools	103,608
Southeast Public Safety Authority	318,178
State of Michigan	1,309
Township Sewer Fund	115,746
Cass County	2,918,743
Other	<u>23,959</u>
	<u>\$ 5,316,424</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board  
Porter Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Porter, as of and for the year ended March 31, 2008, which collectively comprise the Township of Porter's basic financial statements and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Porter's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Porter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Porter's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Porter's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Porter's financial statements that is more than inconsequential will not be prevented or detected by the Township of Porter's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statements Preparation

The Township does not have procedures in place to prepare financial statements in accordance with United States generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

### Budgets

As noted in the financial statements, some of the expenditure activities of the Township exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

### Audit Adjustments

As part of the audit process, several adjustments, including adjusting the financial records from cash to accrual basis, were recommended to management and made to adjust various general ledger balances as of March 31, 2008. These journal entries were necessary in order for the financial statements to be materially correct.

### Accounting Records

The financial records maintained by the Township Clerk were not reconciled with the records of the Township Treasurer on a regular basis. We recommend that these records be reconciled monthly, and reports given to the Township Board documenting this reconciliation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Porter's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Porter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of the Township of Porter in a separate letter dated May 1, 2008.

This report is intended for the information and use of management, the Township Board, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.  
Certified Public Accountant

May 1, 2008

**Karl L. Drake, P.C.**  
**Certified Public Accountant**

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**3775 Kimmel Road**

**(517) 937-9333 Phone / 563-2552**

**Fax**

May 1, 2008

To the Township Board  
Porter Township

I have recently completed the audit of the books and records of Porter Township for the year ended March 31, 2008, and would like to take this opportunity to make the following comments and recommendations.

**Financial Position**

The General Fund finished the year with a fund balance of \$217,667. This is an increase over the prior year level by \$198,681. Township revenue increased by approximately \$18,000, and expenditures decreased by \$253,588, largely due to the funding for fire services being turned over to SEPSA. SEPSA is now collecting a special tax millage for fire services, so the funding burden has been removed from the Township. The other primary fire expense was the contract with Newberg Township for North Porter fire protection. This has now been turned over to SEPSA.

The Sewer Fund finished the year with net assets of \$5,058,229. All of these net assets are restricted, either for construction or for debt service. The unrestricted portion of the net assets is in a deficit position by \$10,053. This situation should correct itself when operational revenue exceeds expenses as more people are hooked up to the system. In addition, a rate increase enacted in 2008 should eliminate the deficit situation.

**Budget Variances**

During this fiscal year, the general fund had two areas of expenditures that exceeded the budget (general government and public works). This is a violation of State of Michigan law. It is necessary, if a budgetary category is going to be overspent, to amend the budget at a Township Board meeting.

Thank you for the opportunity to work with you. Please call my office if there are any questions regarding any aspect of the audit.

Sincerely,



Karl L. Drake, CPA